



## **TESTIMONY OF THE SATELLITE BROADCASTING & COMMUNICATIONS ASSOCIATION IN OPPOSITION TO HB 1628**

Chairperson Kaiser and Members of the Ways and Means Committee, the Satellite Broadcasting & Communications Association ("SBCA") respectfully submits this testimony in opposition to HB 1628 concerning the application of Maryland's sales and use tax towards the installation and/or maintenance of services and broad expansion of qualifying services that are taxable, including satellite video - both via satellite and over-the-top (OTT) - and broadband Internet services.

SBCA is the trade association for the consumer satellite industry representing all segments of the industry, including satellite television and internet providers, installation providers, local retailers and technicians. Our industry represents over 30,000,000 consumers throughout the country. In total, over 350,000 Maryland families and businesses subscribe to satellite TV, and the satellite video industry comprises approximately 30% of the pay TV market.

SBCA opposes HB 1628 for two reasons. One, the legislation removes an important statutorily protected exemption from sales and use taxation, "a labor or service for application or installation". Two, the bill expands the tax to virtually all services, including the aforementioned satellite video and broadband Internet services. Together, HB 1628 increases the tax burden and costs carried by our membership. Above all, our members' customers, including those who generally comprise Maryland's most underserved population, are on the hook for paying more for entertainment options.

When first introduced in 1994, satellite television was promoted to consumers as a self-installed piece of electronics much like a VCR. As technology evolved with the use of multiple satellites, it became apparent that it required a professional installation to ensure a quality picture and consumer experience. The scope of work was not overly complex nor did it present a safety risk, rather it was primarily due to the need to accurately align the dish and secure it to the structure. As a result, the industry moved to having a professional installation network. Each major satellite company requires training for its technicians, including applicable safety and codes along with extensive knowledge of the technology and the equipment. This training includes continuing education, especially as technology evolved. Our commitment continues as we strive to find the best resources to provide our installers and keep costs down for the consumer.

HB 1628 defines "taxable services" as "any activity engaged in for a buyer for consideration." While we appreciate the sponsor's proposal to lower the sales and use tax by 1% to 5%, the proposed language would nonetheless expand sales taxes to encompass virtually all services, including satellite video, OTT and Internet services. The language in the proposed bill would increase the amount the average consumer pays in taxes each year by expanding the tax burden to include almost every service imaginable.

This overly broad language would result in a net increase in taxes paid by consumers, despite the one percent reduction in sales and use tax. Second, the language seems to indicate that for any service that our membership or any other company decides to offer to its customers, an additional sales tax would be assessed for the service. Third, the broad language would exponentially increase the compliance burden on our membership. While some of these costs would directly impact our members' customers, some costs created by the proposed bill would result in the need to try to offset the additional compliance or services tax costs in other ways.

As drafted, satellite video services would also be subject to the sales and use tax. In addition to providing much needed competition to urban markets, our members provide an affordable entertainment service to Marylanders in rural areas – where there are virtually no other providers of pay TV – and also for whom English is a second language. HB 1628 would amount to a regressive tax with a punitive effect on those who least can afford it, such as:

- **Working families in rural areas.** Satellite TV is often these families' only option for a reliable signal. This tax unjustifiably punishes them for living in an underserved area by other forms of TV providers — it amounts to a rural tax.
- **Immigrants and English learners.** Satellite TV offers more foreign language programming than cable. As a result, it is the only option for many residents to get television programming in their native language. And sometimes families have to turn off their service for a time to get back on their feet before they can again access the programming they want at the price they can afford. By making satellite service harder to obtain or maintain, these customers are unfairly penalized simply because they speak a different language or cannot afford continuous service.

Accordingly, SBCA opposes HB 1628 as being overly-inclusive in its application and recommends that the legislature look to other pending proposals to fund important educational changes proposed by the Commission on Innovation & Excellence in Education (popularly known as the Kirwan Commission). Thank you for the opportunity to submit this written testimony regarding this matter.